COMING TELEGRAM Department of State ACTION COPY

R 90 1956 171

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY J.M.Raz DATE Mar 6 1962

Control: 7039
Rec'd: February 12, 1956
10:07 p.m.

1956 FEB 13 AM 7 21

NEA MESSAGE CENTER

Central Files

FROM: Tripoli

TO: Secretary of State

NO: 410, February 11, 6 p.m.

SENT DEPARTMENT 410; REPEATED INFORMATION LONDON 74, BENGHAZI UNNUMBERED

Prime Minister responded immediately my suggestion (Embassy telegram 400) establish working party attempt reduce to "balance sheet" form essential economic development requirements Libya. Group set up under chairmanship Aneizi consisting Pitt Hardacre, Pyke (GOL banking adviser), Spence and Caustin (UN), Shaglouf (Under Secretary Finance), Jazaery (Director General National Economy) Gordon and Lundy.

At first meeting February 7 GOL presented new list projects including $65 million program originally presented LARC plus additions making new total approximately $118 million for requirements through March 1961, of which LPDSA, GOL exceptional budget, and funds presently available LARC could cover $42 million, leaving balance $76 million. Probable income under new French and Italian treaties still to be ratified not included. GOL representatives desired quick approval this program in hope I could be persuaded carry it Washington. Firmly disabused of this idea by American participants, they nevertheless pushed for hasty approval, brushing aside all proposals for close examination various projects and relationships between projects or groups of projects, probable size recurrent maintenance charges, expected increase productive capacity, and efforts build sound, well-rounded economic development program. Obvious balance sheet concept Prime Minister and I discussed will not be realized. GOL now anxious get project list to Washington during US-UK-French discussions, which they believe include consideration economic aid Middle East. They are under impression new higher scale economic aid for area will result from those discussions and feel Libya must have its slice and will.

Basic purpose US participants was real effort persuade Libyans produce sound economic development program in terms their true needs, capabilities and resources. However Libyans singularly sensitive all efforts question their judgment concerning validity projects. Therefore in order avoid further friction, I hope instructed US participants

CONFIDENTIAL

Document Must Be Returned to 773.5-MSP/2-1156

Confidential

REPRODUCTION FROM THIS COPY, IF CLASSIFIED, IS PROHIBITED

PERMANENT RECORD COPY • This copy must be returned to RM/R central files with notation of action taken •

participants accept final list merely as representing presently apparent magnitude of Libyan needs. Details and analysis new development program with Embassy's further comments will be pouched.

TAPPIN

VH:MAA/6